

Message Text

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ACTION EB-08

INFO OCT-01 AF-10 ARA-10 EA-10 EUR-12 NEA-11 IO-13
ISO-00 AGRE-00 CEA-01 CIAE-00 COME-00 DODE-00
FRB-03 H-01 INR-10 INT-05 L-03 LAB-04 NSAE-00
PA-01 CTME-00 AID-05 SS-15 STR-07 ITC-01 TRSE-00
SP-02 SOE-02 OMB-01 DOE-15 NSCE-00 SSO-00 ICAE-00
INRE-00 STRE-00 /151 W
-----049753 140920Z /21

O R 140849Z JUN 78
FM AMEMBASSY LONDON
TO SECSTATE WASHDC IMMEDIATE 7106
INFO USMISSION GENEVA
AMEMBASSY BRUSSELS

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USEEC ALSO FOR EMBASSY

PASS ELECTRONICALLY USDA AND STR

E.O. 11652: N/A
SUBJECT: GRAIN NEGOTIATIONS

1. WORK OF JUNE 12-13 CENTRED MAINLY ON EVOLUTION OF
SUBSTANTIVE LANGUAGE FOR WHEAT CONSULTATIONS AND ACTION
POINTS ALONG PRICE INDICATOR. DRAFTING GROUP IS MADE UP
OF US, EC, CANADA, JAPAN AND INDIA. DRAFTING OF HEAVILY
BRACKETED TEXT WILL CONTINUE JUNE 14 AND BE CONSIDERED AT
MEETING OF HEADS OF DELEGATION JUNE 15.
2. NO SERIOUS PROBLEMS ENCOUNTERED IN WRITING LANGUAGE
FOR FIRST RISING AND FALLING POINTS FOR INITIAL
CONSULTATIONS AND FOR SECOND RISING AND FALLING POINTS
FOR STOCKING ACTION. MAIN UNRESOLVED ISSUES ARE OVER
DEGREE OF AUTOMATICITY OF STOCKING ACTION AND OVER
PRIORITY ACCESS TO RESERVE STOCKS. US OBJECTED TO PROVI-
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SION THAT WOULD RESTRICT RELEASE OF RESERVE STOCKS TO
MEMBERS ONLY FOR SPECIFIED PERIOD OF TIME. (COMMENT:
WE HAVE RESISTED ACCEPTING SUCH PRIORITY ALLOCATION
BECAUSE IT REMAINS A USEFUL POINT OF LEVERAGE AND BECAUSE
US POSITION ON ALLOCATION OF RESERVES HAS NOT BEEN
SPELLED OUT FULLY). JAPAN OPPOSED FURTHER PRIORITY
PROVISION THAT WOULD GIVE LDC MEMBERS FIRST CRACK AT

RESERVE STOCKS.

3. DIFFICULTIES AROSE ON DRAFTING OF THIRD TRIGGER POINTS WITH CURRENT LANGUAGE CONTAINING TWO ALTERNATIVE FORMULATIONS -- ONE LISTING VARIOUS MEASURES ON WHICH CONSULTATION WOULD OCCUR, THE OTHER MIXING MANDATORY AND CONSULTATIVE PROVISIONS. AT THIRD RISING POINT JAPAN AND EC ARE PROPOSING THERE BE COMMITMENTS BY EXPORTERS ON SUPPLY ASSURANCES AT PRICES NOT EXCEEDING UPPER NOTIONAL PRICE. US AND CANADA WOULD ONLY AGREE TO CONSULTATIONS ON SUPPLY AND US REJECTED THIS AND SUBSEQUENT REFERENCES TO NOTIONAL PRICES THAT REFLECTED RIGID PRICE COMMITMENTS.

4. ON THIRD FALLING POINT JAPAN INSISTED ON PROVISION THAT IMPORTERS WOULD NOT BUY FROM NON-MEMBERS BELOW LOWER NOTIONAL PRICE DESPITE REJECTION BY US AND CANADA AS OF NO VALUE FOR EXPORTERS. EC PRESSED FOR COMMITMENT BY EXPORTERS NOT TO SELL BELOW LOWER NOTIONAL PRICE. US REJECTED PROPOSAL AS CONTRADICTION OF NOTIONAL PRICE CONCEPT AND NOTED THAT IN PRESENTING CONCEPT BOTH US AND EC REPS AGREED THAT THERE WOULD BE NO COMMITMENTS ATTACHED TO NOTIONAL PRICE LEVELS. AFTER LENGTHY DISCUSSION ISSUE WAS (TEMPORARILY?) PASSED BY LANGUAGE THAT MEMBER ACTIONS ARE "TO BE TAKEN (WITH THE INTENTION) (SO) THAT INTERNATIONAL MARKET PRICES (GENERALLY) SHOULD NOT GO BELOW THE LOWER NOTIONAL PRICE LEVEL -- TO BE LIMITED OFFICIAL USE

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FURTHER DISCUSSED."

5. EC OBJECTED TO US PROPOSAL FOR PROVISION AT THIRD

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FALLING POINT FOR LIMITATION ON EXPORT SUBSIDIES.

6. NOTIONAL PRICES WERE ADDRESSED IN RESPECT TO INTRO-
DUCTORY PARAGRAPH ON TRIGGER POINTS. FOLLOWING DISAGREED
LANGUAGE IS CURRENTLY ON TABLE: "THE CONSULTATIONS AND/
OR ACTIONS DESCRIBED BELOW SHOULD BE TAKEN (SO THAT)
(WITH THE INTENTION THAT) INTERNATIONAL MARKET PRICES
(GENERALLY) SHOULD REMAIN BETWEEN THE SECOND RISING AND
SECOND FALLING ACTION POINTS AND NOT (IN ANY CASE) GO
BEYOND THE UPPER AND LOWER NOTIONAL PRICE LEVELS AS
DETERMINED IN THE AGREEMENT."

7. IN MORNING JUNE 13 THERE WAS BRIEF DISCUSSION ON
COARSE GRAINS IN FULL INTERIM COMMITTEE. EC TOOK
CONCILIATORY LINE STATING THAT THEY WERE MAINLY PROPOSING
THE ADDITION OF A PRICE INDICATOR TO THE ARGENTINA
CONSULTATIVE PROPOSALS. EC AVOIDED DISCUSSION OF
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NOTIONAL PRICES AND ADJUSTMENT MEASURES FOR COARSE GRAINS
AND ASKED FOR ACCEPTANCE BY OTHERS OF PRICE TRIGGERS TO
CONVENE CONSULTATIONS AND TO DEFINE "TOLERABLE LIMITS"
OF INSTABILITY. RESPONSES CAME FROM ARGENTINA AND
CANADA WHO OPPOSED INCLUSION OF PRICE INDICATORS. US
ONLY INTERVENED IN SUPPORT OF CHAIRMAN'S PROPOSAL FOR
DRAFTING GROUP TO RECONCILE EC AND ARGENTINE APPROACHES.
EC AT FIRST ACCEPTED PROPOSAL BUT, AFTER US COMMENT,
REVERSED POSITION AND SAID THERE HAD NOT BEEN ENOUGH
ACCEPTANCE OF THEIR PROPOSAL TO JUSTIFY DRAFTING GROUP.

BREWSTER

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